

August 26, 2016

To the Honorable Members of
The Illinois Senate,
99th General Assembly:

Today I return Senate Bill 440, an amendment to the Illinois Pension Code, with specific recommendations for change.

The bill would make several changes to pension benefits for Chicago police officers and firefighters. The bill would expand eligibility for death benefits for Tier 2 retirees. The bill would ensure that widows or surviving spouses are paid a minimum annuity. The bill would also increase the annual cost-of-living adjustment (COLA) from 1.5% to 3.0% for retirees born between 1955 and 1965. Our heroic first responders and their families sacrifice a lot to serve their communities, and they deserve retirement benefits commensurate with that service. I thank the sponsors of this bill, who have been forceful advocates for our police officers and firefighters and their families.

The COLA rate is frequently increased, one cohort of retirees at a time. First responders anticipate this increase. Unfortunately, the City pension systems calculate their financial obligations based on current law; so even though the increase is anticipated, it is not accounted for. For this reason, the City of Chicago and its pension systems opposed the bill.

I support many of the changes in Senate Bill 440, despite that opposition. I am returning the bill, however, to enable further consideration of the COLA rate, which should be considered in the context of broader pension reform. If we expect retirees to benefit from a COLA rate greater than 1.5%, then the City's financial disclosures should transparently reflect that expectation, and the City should identify resources to account for that additional liability. Otherwise the City is short-changing its contributions to the police and fire pension funds. Meaningful pension reform will enable us to provide good retirement benefits to our first responders, while giving certainty to the City, taxpayers, and retirees alike.

Therefore, pursuant to Section 9(e) of Article IV of the Illinois Constitution of 1970, I hereby return Senate Bill 440, entitled "AN ACT concerning public employee benefits", with the following specific recommendations for change:

On page 8, by replacing line 12 with "January 1, 1955) or over on that anniversary date, or upon"; and

On page 8, by replacing line 14 with "55 if born before January 1, 1955) if it occurs after the"; and

On page 9, by replacing lines 2 through 4 with "but before January 1, 1955, such increases shall be 3% and such policemen shall"; and

On page 10, by deleting lines 10 through 21; and

On page 25, by replacing lines 14 and 15 with "to Sections 5-153, 5-155, 5-167.1, 5-169, and 5-170"; and

On page 25, by replacing lines 21 and 22 with "(e) The changes to Sections 5-153, 5-155, 5-163, 5-167.1,"; and

On page 31, by replacing line 12 with "1955) or over on that anniversary date, or upon the first"; and

On page 31, by replacing line 14 with "before January 1, 1955) if that occurs after the first"; and

On page 31, by replacing line 25 with "before January 1, 1955,"; and

On page 32, by replacing lines 1 and 2 with "such increases shall be 3% and such firemen shall not be"; and

On page 32, by deleting lines 25 and 26; and

On page 33, by deleting lines 1 through 10; and

On page 44, by replacing lines 18 and 19 with "to Sections 6-150, 6-158, 6-164, 6-166, and 6-167 made by this"; and

On page 44, by replacing lines 25 and 26 with "(e) The changes to Sections 6-150, 6-158, 6-164, 6-166, and".

With these changes, Senate Bill 440 will have my approval. I respectfully request your concurrence.

Sincerely,

Bruce Rauner
GOVERNOR